SENATE RECORD VOTE ANALYSIS

106th Congress | November 9, 1999, 10:35 a.m.
1st Session | **Vote No. 356** | Page S-14351 Temp. Record

BANKRUPTCY REFORM/Net Tax Hike and $1 Minimum Wage Hike

SUBJECT: **Bankruptcy Reform Act of 1999 . . . S. 625. Domenici motion to table the Kennedy amendment No. 2751.**

ACTION: MOTION TO TABLE AGREED TO, 50-48

SYNOPSIS: As reported, S. 625, will enact reforms to prevent creditors who have the means of paying their debts from unjustly filing for bankruptcy, will enact reforms to protect consumers from unfair credit practices, and will enact business bankruptcy reforms. It is similar to the bipartisan bill debated last session (see 105th Congress, 2nd session, vote No. 313).

The Kennedy amendment would increase the minimum wage by $1 per hour in two installments over 14 months. The minimum wage would be $5.65 per hour beginning January 1, 2000 and $6.15 per hour beginning January 1, 2001. It would also enact a series of tax code changes that would result in a net 10-year tax increase of $371 million. (The amendment would cut some taxes by $28.5 billion, but it would raise other taxes by $28.9 billion. In contrast, the Domenici amendment (see vote No. 357) would increase the minimum wage by $1 per hour over 26 months and provide tax relief for small businesses and low-income individuals. That tax relief would create new jobs, which would offset the loss of 100,000 to 500,000 jobs that the Congressional Budget Office (CBO) has estimated would come from a $1 per hour minimum wage increase.) Specific tax hike provisions in the Kennedy amendment include a new $10 billion tax on business "noneconomic tax attributes" and a reimposition of $13.4 billion in Superfund taxes (for the cleanup of polluted sites; the authorization for the Superfund Program has expired; currently two-thirds of all Superfund expenditures are for legal fees rather than cleaning sites; a bipartisan Superfund reform bill was drafted last Congress but was opposed by the Vice President). Tax relief provisions in the Kennedy amendment include provisions to make the health insurance costs of the self-employed fully deductible, to extend temporarily the work opportunity credit and the welfare-to-work credit, and to increase the estate tax deduction for family-owned businesses. The amendment would also enact several health care provisions, including a provision establishing severe new civil penalties for false certification of eligibility for hospice care under Medicare (hospice care associations believe this provision would stop physicians from making referrals for fear of prosecution, with the result being that thousands of elderly Americans would be denied the hospice care to which they were entitled).

(See other side)

YEAS (50)			NAYS (48)			NOT VOTING (2)	
Republicans (50 or 93%)		Democrats (0 or 0%)	Republicans (4 or 7%)	Democrats (44 or 100%)		Republicans (1)	Democrats (1)
Abraham	Hatch		Chafee, Lincoln	Akaka	Kennedy	McCain-2	Hollings-2
Allard	Helms		Jeffords	Baucus	Kerrey		
Ashcroft	Hutchinson		Snowe	Bayh	Kerry		
Bennett	Hutchison		Specter	Biden	Kohl		
Bond	Inhofe			Bingaman	Landrieu		
Brownback	Kyl			Boxer	Lautenberg		
Bunning	Lott			Breaux	Leahy		
Burns	Lugar			Bryan	Levin		
Campbell	Mack			Byrd	Lieberman		
Cochran	McConnell			Cleland	Lincoln		
Collins	Murkowski			Conrad	Mikulski		
Coverdell	Nickles			Daschle	Moynihan		
Craig	Roberts			Dodd	Murray		
Crapo	Roth			Dorgan	Reed		
DeWine	Santorum			Durbin	Reid		
Domenici	Sessions			Edwards	Robb		
Enzi	Shelby			Feingold	Rockefeller		
Fitzgerald	Smith, Bob			Feinstein	Sarbanes		
Frist	Smith, Gordon			Graham	Schumer		
Gorton	Stevens			Harkin	Torricelli		
Gramm	Thomas			Inouye	Wellstone		
Grams	Thompson			Johnson	Wyden		
Grassley	Thurmond						
Gregg	Voinovich						
Hagel	Warner						

EXPLANATION OF ABSENCE:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

Debate was limited by unanimous consent. After debate, Senator Domenici moved to table the amendment. Generally, those favoring the motion to table opposed the amendment; those opposing the motion to table favored the amendment.

Those favoring the motion to table contended:

The Kennedy amendment to increase the minimum wage by $1 per hour is economically unsound and socially cruel. It would draw a lot more suburban teenagers into the workforce and would give them more pocket money, but it would take away hundreds of thousands of jobs from single moms and disadvantaged youth who desperately need employment. In contrast, the Domenici amendment to increase the minimum wage by $1 per hour (which we will vote on next) would not result in a net job loss because it would enact tax relief measures that would end up creating more jobs than would be lost by the minimum wage increase.

The basic economic problem of having a minimum wage is that the government cannot dictate how much a particular worker's labor is worth. If an entry-level, unskilled worker does not have the skills, work habits, or knowledge needed to be paid the minimum wage or more, then that entry-level worker is not going to be hired. A business that assumes costs that are greater than its profits does not stay in business for very long. If the only economic change is an increase in the minimum wage, the typical ways for a business to respond include raising prices, cutting back production, and eliminating entry-level jobs.

Though it is difficult to get economists to agree on anything, three-quarters of the 22,000 members of the American Economic Association agree that minimum wage hikes reduce job opportunities for low-skilled workers. In 1981, then-President Carter's commission on the minimum wage found that every 10-percent increase resulted in a disemployment effect of 100,000 to 300,000 jobs. Two of President Clinton's own appointees to the Federal Reserve Board have said that "The primary consequence of the minimum wage law is not an increase in the income of the least skilled workers, but a restriction on their employment opportunities." The Congressional Budget Office has estimated that raising the minimum wage by $1 over 2 years will cost 100,000 to 500,000 jobs; the Federal Reserve Bank of San Francisco has said it would cost 145,000 to 436,000 jobs.

Some Senators are very impressed that total employment in the United States has gone up since enactment of the last minimum wage hike. We remind them that a great deal has happened economically besides that increase, which was a relatively minor change considering that only a small percentage of working Americans are paid that wage. Republican Congresses, with Democrats kicking and screaming all the way, forced through huge family tax cuts and balanced the budget, and they also insisted on enacting small business tax reforms at the same time that the minimum wage was passed. We Republicans do not take all the credit for the booming economy; for instance, most of our Democratic colleagues deserve praise for voting with us to reappoint the current Federal Reserve Chairman, who has done an admirable job of managing the money supply.

In 1978 and 1989, when there were not favorable economic conditions to offset the harmful effects of minimum wage increases, such increases caused huge plunges in employment for unskilled youth. Frankly, we do not know of any economist who would make the bizarre claim that making employers pay higher wages for unskilled workers will encourage them to hire more workers, yet that is exactly the claim that some of our liberal colleagues are advancing. Other Members may accept that some jobs will be lost but believe that it is an acceptable trade-off to deny some unskilled workers jobs, keeping them on welfare, as long as the rest get a pay raise.

They may accept that trade-off because they seem to think that the minimum wage is a permanent wage. The reality is that in most cases it is just an entry-level wage. Studies have consistently shown that pay rises rapidly for entry-level workers. Forinstance, a 1992 study in the Industrial Relations and Labor Review found that 63 percent of minimum wage hires were earning an average of 20 percent more within 1 year; another study by Professor Macpherson at Florida State University found an average hourly increase within 1 year of 43 percent. The minimum wage is the bottom rung of the economic ladder. Once on it, people move quickly up. Raising the wage just eliminates the bottom rung and keeps some people from getting started.

The worst effects of raising the minimum wage are social. The people whom the wage is intended to help are low-income families, but most people who receive the minimum wage are not heads of households. About 10 million people earn less than $6.15 per hour, and about 1.6 million people earn the minimum wage. More than half are young (under 24), single, and childless; more than half live in homes with incomes over $25,000; fewer than one-fourth live in households with incomes below $12,500. Only 8 percent are single mothers with children. Most minimum wage jobs (55 percent) are part-time jobs. Our point is that most of the beneficiaries of the minimum wage are not poor working families. In fact, numerous studies have shown that such families are disproportionately harmed by the job losses that come from increases in the minimum wage. First, many well-off young people, in high school and in college, are enticed to enter the job market when wages increase. The pool of applicants rises, and because these young people often possess greater skills than working poor parents, they get the jobs. White, suburbanite kids get jobs, and the unemployment rates for single mothers, blacks, and Hispanics rise.

The people that we all want to help the most are low-income families with children. Such families, in fact, are receiving more help now than they ever have in history. Our colleagues say that the real value of the minimum wage was at its greatest in 1968, when in real terms it reached $7.33. However, the Earned Income Credit (EIC) did not exist in 1968. Today, a family of three on the minimum wage gets $3,756 in EIC aid, bringing its income up to $14,468. It is true it would have had a slightly higher income in 1968, but it also would have had payroll and income tax liabilities that would not be eliminated by the EIC. Thus, the people who most need help are already receiving a record-high level of help.

At present according to the Clinton Administration officials at the Department of Labor, 1.6 million workers are paid the minimum wage, 5.9 million are paid between the current and the proposed minimum wage, and 2.7 are tip workers or others whose wages are at or under the minimum wage but who really typically earn far in excess of it. Our goal should be to drive these numbers down, particularly as they apply to the small percentage of minimum-wage workers who are the sole wage-earners supporting their children, at the same time as we raise the minimum wage. The Domenici amendment would achieve that end by proposing $75 billion in tax cuts in order to cause economic and job growth; the Kennedy amendment would make some of the same tax cuts (though in total it would cut less than $30 billion over 10 years), but then it would impose even more in new taxes on businesses than it would cut. Thus, it would not create new jobs to offset the jobs lost from the minimum wage increase.

The two main tax increases in the Kennedy amendment are completely unacceptable. The first would reimpose Superfund taxes. The Superfund pollution cleanup program has been a disaster. It has operated as a lawyers' full employment program. Billions of dollars (two-thirds of the amount raised in taxes) have been spent in litigation; just one-third of the tax money raised has been used to clean polluted sites. That program needs to be reformed to make it effective before we reauthorize taxes. Last Congress a deal reportedly had been worked out between the two parties, but Vice President Gore opposed it, perhaps because he wanted to keep the Superfund program as a political issue. We do not expect the issue to be resolved until after the upcoming election. The other big tax increase in the bill is even more dangerous. It would give the Internal Revenue Service (IRS) a right to go after companies for "noneconomic tax attributes" which is a vague term that is going to give the IRS tremendous coercive power to harass and blackmail legitimate businesses for more tax revenue.

Earlier this year we Republicans passed a $800 billion tax relief bill which President Clinton vetoed. Many of our Democratic colleagues supported a $500 billion tax relief alternative to that bill, and all but 6 of the rest of our Democratic colleagues supported a $300 billion alternative. Not one of those proposals included offsets because the idea was to use part of the $1.4 trillion in non-Social Security surplus taxes that are expected to be collected over the next 10 years instead of increasing Federal spending by that amount. In the Domenici amendment, small businesses and low-income working families would get $75 billion in tax relief over 10 years. Now our colleagues tell us that taking $75 billion out of the $1.4 trillion in non-Social Security surpluses is asking too much. We remind them that $75 billion is 4 times less than they themselves said they wanted to give in tax relief without offsets. Perhaps they only voted for that tax relief because they thought it would make the voters happy and they knew that Republicans would defeat their proposal anyway because it was too cheap. Why is it so hard for Democrats to stop spending? We are not asking them to cut anything; all we are asking is that they give back a little bit of the extra that is going to be collected so that when we raise the minimum wage we will not take away entry-level jobs from hundreds of thousands of low-income workers.

When Democrats controlled both Houses of Congress and the White House in the 103rd Congress, which was just a few years ago, the minimum wage was 90 cents, or close to 20 percent, less than it is today. Did Democrats try to pass a minimum wage increase then, or even bother to mention how vitally important it was to raise it? No, we never heard a peep from them; only after Republicans took control of Congress did they start agitating for increases. What could possibly explain such a monumental inconsistency? Maybe some Democrats understand the economic faultiness of their arguments but greatly appreciate the political mileage they can get from demanding an increase when they are not in control of Congress.

Both amendments would provide a $1 increase. The Domenici amendment, in order to cushion the shock on businesses, would provide it in 3 installments over 26 months; the Kennedy amendment has the same purpose with its two-step, 14-month plan; it would just provide a smaller cushion. The only other difference is that the Domenici amendment would create hundreds of thousands of new jobs by providing net tax relief, while the Kennedy amendment would give tax relief with one hand and take it away with the other because Democrats cannot bear the thought of giving back any of the non-Social Security surpluses. The choice is clear–we can either increase the minimum wage and force hundreds of thousands of people out of work, or we can increase the minimum wage and increase employment at the same time by providing tax relief. We strongly favor the latter course and thus urge the rejection of the Kennedy amendment and the approval of the Domenici amendment to follow.

Those opposing the motion to table contended:

Right now, a family of three that works full-time for the minimum wage is paid only $10,600 per year, which is below the official poverty line and is not enough to support a family. In many cases, minimum wage earners get two or three jobs just to make ends meet. Between World War II and 1970 there were seven increases in the minimum wage. Those increases had broad, bipartisan support. During those years the economy grew, and real income in all quintiles grew. From the 1970s on it has become more difficult to enact increases in the minimum wage, and during those years the gap between rich and poor Americans has grown tremendously. Still, some increases have been won, and like previous increases, they have not caused any economic problems. For instance, 900,000 new jobs were added over the 2 years that the last minimum wage hike was put into effect. Our colleagues have their theories, but we can see clearly that the last increase did not hurt, so the proposed increase in the Kennedy amendment should not hurt either.

The Kennedy amendment would give a dollar increase which would be in full force by January 1, 2001. Our Republican colleagues say that is too soon–they do not want it to be in full force until March 1, 2002, 1 year and 3 months later. Our Republican colleagues very recently voted for a bill that will give Senators a pay increase of $4,600. They did not delay that increase until March 1 2002–they voted to get it now. We think our colleagues should give poor families struggling to get by on the minimum wage the same consideration they have shown themselves. A delay until March 1, 2002, is just unacceptable.

Some Senators seem to have the impression that most minimum wage workers are white teenagers working for pocket change. We inform them that 70 percent of minimum wage earners are 20 years old or older, nearly half of such earners work full-time for the minimum wage, nearly 60 percent of them are women; and disproportionate percentages of minimum wage workers are black or Hispanic.

The distribution of wealth in America is getting seriously out of balance. Working fathers typically have to work 50-hour weeks now just to make ends meet. Labor productivity has gone up overall by 12 percent in the last 10 years, but pay has only gone up 1.9 percent. For the lowest-paid workers, 18 percent get a week or less of paid vacation time, and 48 percent get no paid vacation time at all. In short, Americans are working harder and working longer in order to make the rich richer.

Though we disagree that increasing the minimum wage will cost jobs, we also agree that we ought to pass reforms to the tax code to help small businesses. This bill contains numerous such reforms. Unlike the Domenici alternative amendment which we will vote on next, it will pay for those tax breaks, including by reimposing the Superfund tax on polluters and by closing unfair tax loopholes. If we do not provide offsets, the money will end up coming out of the Social Security surpluses. We will not support any raid on those surpluses.

All we are asking Senators to support is a $1 per hour pay increase for the poorest of working Americans, who make less than one-tenth the salary that Senators receive. The working poor need and deserve that increase. We urge our colleagues to support the Kennedy amendment.